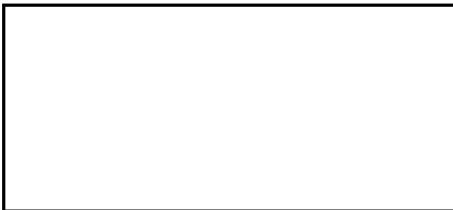


TOP SECRET



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1. HUNGARIAN REGIME BELIEVED APPREHENSIVE OF
UN CENSURE

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The American legation in Budapest believes that the Kadar regime is increasingly fearful of strong criticism by the UN General Assembly due to meet on 10 September.

Strong assembly action would, in the legation's opinion, arouse new hope and greater unrest and noncooperation among the Hungarian people.

Recent arrests, trials, and executions of potentially dangerous elements in Hungary were apparently dictated by Kadar's consciousness of his weakness and his belief that the status quo can be maintained--if at all--only by repression.

Comment

Recent reports have suggested that Kadar might resign his post as premier--though probably not as party leader--in an effort to soften UN discussion and convince the world that changes for the better are coming in Hungary. In the meantime, however, arrests and repression are continuing throughout the country.

The Kremlin has continued to support the Kadar regime with its military forces, now estimated to number six divisions, and Khrushchev during his Czech tour personally endorsed Kadar for his effective work in restoring order in Hungary.

Although Soviet propaganda has steadily supported Hungarian claims that the UN special committee report consists of "slanders, lies, and nonsense," the Kremlin may be resigned to the possibility of assembly censure. A Soviet UN delegate recently stated that his delegation realized the USSR would be put in the "dock" on this issue and only hoped UN action would be completed fairly quickly. At the same time, it is likely that the USSR will try to offset any UN censure, possibly by reintroducing last winter's charges of American subversive activities in the Soviet bloc.

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2. THAI PREMIER REPORTEDLY MANEUVERING
RESIGNATION OF SARIT CLIQUE FROM CABINET

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Thai Army Chief and Defense Minister
Sarit and several other cabinet members
are resigning from the cabinet, [REDACTED]

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[REDACTED] rather
than sever their lucrative associations with
private and governmental commercial cor-
porations. Prime Minister Phibun, [REDACTED]

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[REDACTED] would no longer tol-
erate flagrant corruption within his regime and
gave cabinet members until the end of August
to drop their business interests or resign.

[REDACTED] Phibun's move is
directed primarily against the influence of the Sarit clique in the
government. It may, however, merely reflect a government
maneuver to counter growing charges of corruption. Sarit and
his clique presumably could retain their government positions
by turning over their business interests to loyal agents.

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In any event, Sarit's resignation from the
cabinet would not materially weaken his power, inasmuch as he
would probably retain his army position. [REDACTED]

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3. BRITISH PLANS FOR FURTHER ASSISTANCE TO MUSCAT

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[REDACTED]

The British government has decided to help the Sultan of Muscat improve his military forces as a long-range measure to handle future troubles, according to a high Foreign Office official. Tentative agreement has been reached to give him direct military assistance--probably including a few armored cars--and to develop closer liaison between his forces and the British-officered Trucial Oman Scouts, thus creating "an Arab fire brigade." The War Office also favors providing additional funds and a British training mission, but this plan has not yet been adopted.

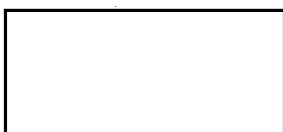
Although a company of British riflemen and a platoon of armored cars will remain in Oman for the time being, the British decision suggests that London hopes to avoid future direct involvement of British forces by improving the Sultan's troops.

The official stated that since military aid alone would not necessarily suffice to prevent future rebellions, more effective administration by the Sultan and provision of useful services such as medical care are essential to develop loyalty. The British government is apparently not considering nonmilitary financial assistance to the Sultan, but the Iraq Petroleum Company is already paying him about \$420,000 a year for its concession, and London hopes the new American oil discovery in Dhofar will in time prove profitable to the Sultan.

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4. BONN MAY BREAK OFF TALKS WITH MOSCOW

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The West German Foreign Ministry is studying means of breaking off the current trade and repatriation talks in Moscow and is confident that Chancellor

Adenauer will approve, according to American officials in Bonn. If he does, Ambassador Lahr will probably return to Moscow at the end of the week to make a formal break.

Since Soviet Deputy Foreign Minister Semenov told Lahr that he disagreed with German repatriation proposals and would reject any further proposals on this subject, Bonn is convinced that talks cannot be resumed without completely abandoning the principle of repatriation. The ministry feels that it has convinced the West German public that it took a reasonable line in the talks.

Comment

It appeared that Bonn would try to drag out the talks until after the 15 September elections, and Adenauer may still favor this tactic.